

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EUR-12 EA-07 INT-05 AF-06 OES-03 FEA-01

SP-02 AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15

STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04 SIL-01 L-03 H-02

PA-01 PRS-01 /119 W

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FM AMEMBASSY BUENOS AIRES

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PASS TREASURY, COMMERCE

E. O. 11652: N/A

TAGS: EFIN, AR

SUBJECT: GOA EXTERNAL CREDIT NEGOTIATIONS

1. RECENTLY, "LA OPINION" NEWSPAPER PUBLISHED MEMO DATED JULY 15, WRITTEN BY FORMER CENTRAL BANK PRESIDENT RICARDO CAIROLI, SUMMARIZING CENTRAL BANK EXTERNAL CREDIT NEGOTIATIONS. MEMO WAS OBVIOUSLY LEAKED AND APPEARS TO BE AUTHENTIC. IT PROVIDES MOST COMPLETE INFORMATION WE HAVE SEEN ON NEGOTIATIONS IN PROGRESS AND THEIR STATUS AS OF JULY 15. FOLLOWING IS SUMMARY OF KEY POINTS OF MEMO:

A) CENTRAL BANK - BISHOPS BANK -- INVOLVES CONSORTIUM FOR \$50 MILLION LOAN FOR ONE YEAR. SO FAR, ONLY \$30 MILLION OBTAINED - DOUBTFUL THAT REMAINDER CAN BE NEGOTIATED.

B) NATIONAL GRAIN BOARD - CHEMICAL BANK - GRAIN EXPORT PREFINANCING -- AMOUNT SOUGHT IS \$150-200 MILLION. ALL PREREQUISITES COMPLETED FOR ENTRY OF FUNDS DURING JULY.

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HOWEVER, GOA INFORMED THAT DUE REPERCUSSIONS LOCAL

SITUATION U.S. CAPITAL MARKETS, INTEGRATION OF CON-SORTIUM HAS BEEN DELAYED UNTIL BETTER OPPORTUNITY.

C) LETTER OF INTENT - CITY BANK -- OPERATION INVOLVES EXTERNAL BOND SUBSCRIPTION TALLING \$100 MILLION. LEGAL TEXTS BEING PREPARED TO IMPLEMENT OPERATION.

D) LETTER OF INTENT - CITY BANK -- LOANS FOR SPECIFIC PROJECTS OF STATE ENTITIES UP TO \$150 MILLION. NECESSARY IMPLEMENTING MEASURES IN PREPARATION. HOWEVER, GIVEN SITUATION OF COUNTRY, BOTH OPERATIONS OF CITY BANK NOW POSTPONED.

E) STAND BY CREDIT U.S., JAPANESE, CANADIAN AND EUROPEAN BANKS -- LATE JULY, AMOUNTS AVAILABLE UNDER VARIOUS CREDIT LINES SHOULD BECOME AVAILABLE TALLING \$95 MILLION. NOTE: WE UNDERSTAND CENTRAL BANK DID DRAW ON THESE CREDITS NEGOTIATED IN 1972 BUT ONLY AFTER TOUGH NEGOTIATION WITH BANKS INVOLVED.

F) RUSSIAN ADVANCE - TURBO-GENERATORS FOR SAN NICOLAS HYDROELECTRIC PROJECT -- RUSSIANS WERE TO ADVANCE \$50 MILLION TO CENTRAL BANK DURING JULY FOR FINANCING OF TURBO-GENERATORS IN SAN NICOLAS HYDROELECTRIC PROJECT. POSSIBILITY OF \$50 MILLION ADVANCE NOW POSTPONED.

G) VENEZUELAN LOAN -- BASED ON CONVERSATIONS CARACAS, \$100 MILLION LOAN ANTICIPATED. IMPLEMENTATION DELAYED TO COINCIDE VISIT VENEZUELAN DELEGATION TO ARGENTINA WHICH POSTPONED EARLY JULY DUE UNSTABLE SITUATION HERE.

H) JAPANESE BANKS -- DURING RECENT VISIT JAPANESE TRADE MISSION ARGENTINA, CONVERSATIONS INITIATED WITH VIEW TOWARD \$150 MILLION CREDIT. CONVERSATIONS NOW SUSPENDED.

I) SWAPS -- PROSPECTS FOR NEW SWAP TRANSACTIONS ARE GOOD.

J) LIBYA LOAN -- LOAN AGREEMENT NEGOTIATED WITH LIBYA FOR \$200 MILLION DURING 1975. ON JANUARY 31, CENTRAL BANK RECEIVED FIRST TRANCHE OF \$50 MILLION. SECOND TRANCHE NOT LIMITED OFFICIAL USE

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RECEIVED, AND IT DOUBTFUL THAT REMAINING \$150 MILLION WILL BE RECEIVED.

K) IMF OIL FACILITY -- ARGENTINA HAS ACCESS TO OIL FACILITY FOR TOTAL 45.6 MILLION SDRS THIS YEAR. ITS USE CONTINGENT ON SEVERAL IMF REQUIREMENTS.

2. CAIROLI TERMINATES MEMO EXPLAINING HOW RECENT LABOR

AND POLITICAL PROBLEMS HAVE ACCENTUATED NEGATIVE IMAGE OF ARGENTINA ABROAD AND CAUSED POSTPONEMENT OF NEGOTIATIONS IN PROGRESS.

3. COMMENT: AS TIME ALLOWS, WE WILL SEEK FOLLOW UP ON THIS MEMO VERIFYING INFORMATION AND UPDATING IT WHERE NECESSARY.

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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